



Report to the Auburn City Council

Action Item

Agenda Item No. **2**City Manager Approval

To: Mayor and City Council Members
From: Bernie Schroeder, Director of Public Works
Megan Siren, Administrative Analyst
Date: May 14, 2012
Subject: Wastewater Treatment Plant Operations Contract

The Issue

Shall the Council approve a contract with CH2M Hill – Operations Management International (OMI) for operations, maintenance and management of the City's Wastewater Treatment Plant?

Conclusion and Recommendation

Staff recommends that the City Council, by RESOLUTION, authorize the Director of Public Works to execute Amendment No. 4 to the contract with CH2M Hill OMI for operations, maintenance and management of the City's Wastewater Treatment Plant.

The final contract is subject to the approval of the City Attorney.

Background

OMI has been operating, maintaining and managing the City's Wastewater Treatment Plant (WWTP) and Sewer Collection System since 1993. In July 2009, the City Council extended OMI's contract for 3 years until July 30, 2012. This 2009 contract was extended to accommodate the construction period of the wastewater Treatment Plant Upgrade project with the Council's direction to issue a Request for Proposals prior to the next contract renewal. The form of the agreement was a Direct Cost budget contract with the exception of the Management Fee and performance incentive fee. The Direct Cost budget contract is based on actual costs to run the wastewater treatment plant, maintain the sewer collection system and maintain the sewer lift stations. OMI submits an expenditure report each month outlining the costs for approval by City staff and shows any deviation from the budgeted amount. At the end of each year there is a reconciliation report which reimburses one party or the other. The reconciliation report is also used to determine the budget for the upcoming year. The Direct Cost contract has been very effective given the changing fuel prices, chemical use and operations cost necessary to remain in compliance with the Central Valley Regional Water Quality Control Board discharge requirements.

Staff has met with CH2M Hill – OMI representatives to discuss particular elements of the contract and evaluate what direction to proceed in the interest of the City. CH2M Hill – OMI has been a great partner with the City during the construction of the upgrade project and the operational changes that have occurred. The WWTP has been in full compliance with the City's NPDES permit since the upgrade project was completed. Due to the possibility of the Regional Sewer Project moving forward, staff is recommending extending the CH2M Hill – OMI contract for an additional

24 months putting the end of the contract at July 31, 2014. Staff had planned on moving forward with a Request for Proposals for the operations, maintenance and management but due to the staff resources working on the Regional Sewer Project and determining the final funding strategies for the Regional Sewer Project, staff believes it is the City's best interest to stay with CH2M Hill – OMI. CH2M Hill – OMI is very familiar with our discharge permit and facility.

Contract Details:

Two (2) year contract renewal until July 31, 2014

Management Fee

Fiscal Year 2012/13 = \$248,421

Fiscal Year 2013/14 = \$258,357

Operate the WWTP

Lift Station Maintenance

Sewer Collection System

Under the contract, CH2M Hill – OMI will retain the responsibility for the sewer lift stations, Sanitary Sewer Management Plan and collection system maintenance. City staff (2 Public Works Maintenance Works & ½ Mechanic) will assist with the sewer collection maintenance by assisting with operating the television van and vactor truck and assisting with sewer main cleaning and maintenance and sewer lift station maintenance.

Alternatives Available to Council; Implications of Alternatives

1. Proceed with Staff Recommendation
2. Do not proceed with staff recommendation, but provide direction to staff regarding contract expiring.

Fiscal Impact

For fiscal year 2011/12 the City's contract with CH2M Hill – OMI for the operations and maintenance of the WWTP is \$1,583,556. For fiscal year 2012/13 CH2M Hill – OMI is proposing a decrease in the overall direct cost contract to \$1,512,435 due to operational savings realized at the WWTP due to lower electricity and chemical usage. The City is realizing approximately a 4.5% decrease in the direct cost budget.

The proposed contract extension includes a set management fees for both fiscal year. For fiscal year 2012/13, the management fee increases by 4% from 2011/12; the management fee is going to \$248,421 from \$238,866. The management fee for fiscal year 2013/2014 is proposed to increase by approximately 4% to \$258,357. Historically, the management fee has increased annually by 4.5%, but CH2M Hill – OMI has agreed to a lower increase in the management fee.

Attachments: Amendment No. 4
 Resolution

AMENDMENT NO. 4

to the

AGREEMENT FOR

OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES

THIS AMENDMENT NO. 4 is made and entered into this ____ day of ____ 2012, by and between the City of Auburn, California, whose address for any formal notice is 1225 Lincoln Way, Auburn, California 95603 (hereinafter "Owner") and Operations Management International, Inc., whose address for any formal notice is 9189 South Jamaica Street, Suite 400, Englewood, CO 80112 (hereinafter "CH2M HILL OMI").

NOW THEREFORE, Owner and CH2M HILL OMI agree to amend the Agreement as follows:

1. Section 4.1 is deleted in its entirety and replaced as follows:

4.1 The initial term of this Agreement shall be for three years (3) commencing on August 1, 2009 and continuing until July 31, 2012. Thereafter, the parties may mutually decide to renew the Agreement for successive terms of five (5) years. CH2M HILL OMI has been notified by Owner of Owner's intent to renew the Agreement, and the parties mutually agree to extend the Agreement for an additional two (2) year term, commencing on August 1, 2012 and continuing until July 31, 2014. Thereafter, if either party desires to renew the Agreement, the party seeking to renew the Agreement must notify the other party not less than sixty (60) days prior to expiration. If the parties mutually decide to renew the Agreement, they must reach an agreement to do so not less than thirty (30) calendar days prior to the expiration of the Agreement.

2. Section D.1 is deleted in its entirety and replaced as follows:

D.1. All equipment, grounds, and facilities now existing within the current property boundaries or being used to operate Owner's Wastewater Treatment Plant, including the UV Disinfection System and a third (3rd) secondary clarifier and associated facilities, located at:

10441 Ophir Road, Auburn, CA 95603 (as shown on the attached Appendix J)

3. Section E.1.1 is deleted in its entirety and replaced as follows:

E.1.1 Owner shall pay to CH2M HILL OMI as compensation for services performed under this Agreement a Management Fee of Two Hundred Forty Eight Thousand Four Hundred Twenty One Dollars (\$248,421.00) for the Fourth Contract Year (August 1, 2012 – July 31, 2013) of this Agreement. The management fee for the next contract year will be as follows:

Fifth Contract Year (August 1, 2013 – July 31, 2014) = \$258,357.00

The Direct Costs is the maximum amount of CH2M HILL OMI's cost under the Agreement and payable by Owner to CH2M HILL OMI. In the event that the actual Direct Costs is less than the estimated Direct Costs during any given contract year, CH2M HILL OMI shall rebate to Owner any excess funds within ninety (90) days of the

ending contract year. In the event that the actual Direct Costs exceeds the estimated Direct Costs during any given contract year, then CH2M HILL OMI will invoice Owner the overage amount on a monthly basis.

At least thirty (30) days prior to the end of each contract year, the parties will meet in good faith to review and negotiate the subsequent years' Direct Costs.

In addition to the Base Fee, the parties agree that CH2M HILL OMI may be entitled to additional compensation based upon annual performance incentives (as set forth in B.2.1. through B.2.4). Potential performance incentive compensation is also included in the Compensation Table, attached as Exhibit G. Any performance incentive compensation will be paid within ninety (90) days of the ending of the contract year.

4. Section E.1.3 shall be deleted in its entirety and replaced as follows:

E.1.3 The total amount CH2M HILL OM shall be required to pay for Repairs shall not exceed the annual Repairs Limit of Forty Five Thousand Dollars (\$45,000). In addition, CH2M HILL OMI shall purchase fifty percent (50%) of the bulbs and quartz sleeves necessary for the UV system, not to exceed Twenty Thousand Dollars (\$20,000) per year. The Repairs Limit is part of the Direct Costs. CH2M HILL shall provide Owner with a detailed invoice of Repairs over the annual Repairs Limit, and Owner shall pay CH2M HILL OMI for all Repairs in excess of such limit. CH2M HILL OMI will rebate to Owner the entire amount that the cost of Repairs is less than the annual Repairs Limit.

5. Appendix G is deleted in its entirety and replaced with the attached Appendix G.

This Amendment No. 4 together with the Agreement constitutes the entire agreement between the Parties and supersedes all prior oral and written understandings with respect to the subject matter set forth herein. Unless specifically stated all other terms and conditions of the Agreement shall remain in full force and effect. Neither this Amendment nor the Agreement may be modified except in writing signed by an authorized representative of the Parties.

The Parties, intending to be legally bound, indicate their approval of the Amendment by their signatures below.

REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK

**OPERATIONS MANAGEMENT
INTERNATIONAL, INC.**

Authorized Signature

Name: Natalie L. Eldredge
Title: Vice President
Date: _____

Approved as to Form:

Name: Michael G. Colantuno
Title: City Attorney
Date: _____

CITY OF AUBURN, CALIFORNIA

Authorized Signature

Name: Bernie Schroeder
Title: Director of Public Works
Date: _____

APPENDIX G - DIRECT COST ESTIMATE

APPENDIX G DIRECT COST REPORTING 2012/13 AUBURN CY 21

	(A)	(B)	(C)	(C-B)	(B/C)
	CURRENT MONTH'S	ACTUAL YEAR	ANNUAL	BUDGET	ACTUAL %
	EXPENDITURE	TO DATE EXP.	BUDGET	REMAINING	SPENT
Labor					
Labor-Site			\$ 636,945		
Overtime			\$ 36,375		
Bonus Hourly			\$		

Other Direct Costs:					
Physical Exams			\$		
Uniform Expense			\$ 3,224		
Employee Morale			\$ 2,100		
Dues Subscriptions			\$ 1,500		
Meeting Facilities			\$ 4,250		
Tuition Fees			\$ 600		
Employee Expense Other			\$ 1,150		
Books			\$		
Safety Training & Supplies			\$ 1,410		
Auto Mileage Reimbursement			\$ 813		
Auto Rentals			\$ 1,319		
Air Transportation			\$ 5,270		
Meals Travel			\$ 1,616		
Moving Relocation			\$		
Lodging			\$ 3,862		
Travel Other			\$ 715		
Electricity			\$ 214,000		
Chemicals			\$ 50,600		
Outside Services			\$ 18,960		
Laboratory Services			\$ 37,000		
Temporary Help Agency			\$		
Contract Hauling			\$ 43,400		
Tip Fees			\$ 47,208		
Natural Gas			\$		
Fuel Oil			\$		

Water			\$		
Subcontract Service Other			\$	2,500	
Supplies Miscellaneous			\$	2,500	
Material			\$		
Telephone Mobile			\$	4,620	
Telephone Office			\$	9,380	
Auto Leases			\$	5,400	
Fleet Vehicle Expense			\$	3,700	
Auto Maintenance			\$		
Equipment Maintenance			\$	20,000	
Equipment Supplies			\$	35,570	
Equipment Rental			\$	600	
Supplies Office			\$	20,593	
Furniture Fixtures			\$		
Computer Expense			\$	1,800	
Other Office Expense			\$		
Jobsite Trash Removal			\$		
Advertising Recruiting			\$		
Building Maintenance			\$		
Contributions			\$	500	
Office Rent			\$		
Safety Equipment			\$	3,454	
Licenses Fees			\$	2,182	
Meals Business			\$	1,578	
Postage Freight			\$	584	
Sales Use Tax			\$		
Other Taxes			\$		
Client Plant Equipment			\$		
Insurance Other			\$	16,736	
Fines Penalties			\$		

<i>Sub Total</i>			\$	1,244,014	
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Management Fee			\$	248,421	
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Incentives			\$	20,000	
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TOTAL			\$	1,512,435	
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RESOLUTION NO. 12-
RESOLUTION AUTHORIZING A CONTRACT AMENDMENT FOR OPERATIONS OF
THE AUBURN WASTEWATER TREATMENT PLANT.

THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:

That the City Council of the City of Auburn does hereby authorize the
Director of Public Works to execute Amendment No. 4 to the contract with
CH2M Hill OMI for operations, maintenance and management of the City's
Wastewater Treatment Plant.

A true and correct copy of said Amendment No. 4 is attached hereto as Exhibit
"A."

DATED: May 14, 2012

Keith Nesbitt, Mayor

ATTEST:

Joseph G. R. Labrie, City Clerk

I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify
that the foregoing resolution was duly passed at a regular session meeting of
the City Council of the City of Auburn held on the 14th day of May 2012 by the
following vote on roll call:

Ayes:
Noes:
Absent:

Joseph G. R. Labrie, City Clerk